

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1993 - SB 2258

March 17, 2014

SUMMARY OF BILL: Requires any person, who is offering sparkling devices for sale without holding a permit, to register any such location of sale with the State Fire Marshall. The cost of registration shall not exceed \$25. All registrations are for the calendar year or any fraction of the year and expire on December 31.

Authorizes any nonprofit group to sell aerial devices; provided any such nonprofit group offering for sale sparkling devices and aerial devices without holding a permit, must register each location where such items will be offered for sale with the State Fire Marshall. The cost of such registration shall not exceed \$200. All registrations expire as of December 31, regardless of the date of issuance.

Prohibits registration of anyone under the age of 18. Makes changes to statute regarding the storage, location, and display of fireworks. Prohibits any private act, or any city ordinance to prevent the sale or use of fireworks which contain less than twenty-five one-hundredths (0.25) grains of explosive compounds.

ESTIMATED FISCAL IMPACT:

**Increase State Revenue – Exceeds \$7,400/Fire Prevention Division
Exceeds \$3,300/General Fund**

Increase Local Revenue - Exceeds \$1,400

Assumptions:

- According to the Fire Prevention Division, any additional duties required of the Division, due to additional registrants, can be handled within existing resources.
- Currently, there is no license required to sell fireworks that contain less than 0.25 grains of explosive compounds.
- This will requires vendors who only sell such fireworks to register with the Division.
- It is estimated that there will be approximately one such vendor per county and five new vendors in each of the four largest metropolitan areas in the state (Chattanooga, Knoxville, Memphis, and Nashville).
- The cost of initial and renewal registration for a permit to sell sparkling devices is \$25 per location.

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- There will be an increase in revenue to the Division of \$2,875 { $\$25 \times [95 \text{ counties} + (4 \text{ metro areas} \times 5 \text{ locations})]$ }.
- Currently, any nonprofit which chooses to sell fireworks must purchase a seasonal retail sales permit, which requires a fee of \$100 annually.
- The cost of initial and renewal registration for a permit for a nonprofit to sell fireworks, including sparkling devices and aerial devices, will increase to \$200 per location.
- This is an increase of \$100 ($\$200 - \100).
- In this instance, nonprofits are estimated to primarily be churches which use profit from fireworks sales as a fundraiser for church activities.
- According to the Division, the number of churches which currently purchase a seasonal retail sales permit.
- It is estimated that of the most recent count of seasonal retail permit (904) approximately 5 percent, or 45 are churches, resulting in an increase in revenue of \$4,500 ($45 \times \100).
- Pursuant to Tenn. Code Ann. §68-104-102 (g), permit fee revenue is kept by the Division.
- It is unknown the exact number of additional nonprofits or vendors as a result of the proposed legislation. It is estimated that the increase in revenue to the Division will exceed \$7,375 ($\$2,875 + \$4,500$).
- It is reasonably estimated that the fireworks industry will experience an increase in business revenue exceeding \$50,000.
- This will amount to an increase of \$3,500 in state sales tax revenue ($\$50,000 \times 7\%$) and \$1,250 in local sales tax revenue ($\$50,000 \times 2.5\%$).
- Pursuant to Tenn. Code Ann. § 67-6-103 (a) (3) (A), local governments received 4.603 percent of all state sales tax revenue as state-shared sales tax revenue.
- A total increase in local revenue exceeding \$1,411 [$\$1,250 + (\$3,500 \times 4.603\%)$].
- A total net increase in state revenue exceeding \$3,339 ($\$3,500 - \161).

IMPACT TO COMMERCE:

Increase Business Revenue - Exceeds \$50,000

Increase Business Expenditures – Exceeds \$7,400

Assumptions:

- There will be tax deductible business expenditures of \$7,375.
- It is unknown how much additional revenue will be earned by such new and existing firework businesses.
- Prohibiting municipalities from preventing the sale of fireworks containing less than 0.25 grains of explosive compounds will result in certain small fireworks being available to a much larger market.
- It is reasonably estimated that the fireworks industry will experience an increase in business revenue exceeding \$50,000.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a more compact style and "D. Geise" following in a similar cursive script.

Lucian D. Geise, Executive Director

/jdb